

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 ERDA-07 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-02
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-15 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-10
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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 8116

INFO AMEMBASSY ABU DHABI

AMEMBASSY CAIRO

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

USIA WASHDC

USMISSION OECD PARIS

UNCLAS KUWAIT 2849

E.O. 11652: N/A

TAGS: ENRG, EFIN, PFOR

SUBJECT: FINANCE MINISTER ATEEQI ON NORTH/SOUTH DIALOGUE

1. TO THE SURPRISE OF MOST OF THOSE ATTENDING, FINANCE
MINISTER ATEEQI SHOWED UP IN THE 40-ODD PERSON AUDIENCE
AT A TALK MAY 18 GIVEN BY ROBERT HAWKINS, DEAN OF
NYU'S GRADUATE SCHOOL OF BUSINESS, AT OAPEC HEADQUARTERS.
ATEEQI LISTENED ATTENTIVELY TO HAWKINS' 40-MINUTE TALK,
WHOSE THEME WAS THAT COMMERCIAL BANKS IN NEW YORK AND
OTHER FINANCIAL CENTERS WERE BEGINNING TO REACH THE
LIMIT OF THEIR CAPACITY TO RECYCLE PETRODOLLARS TO THE
LDC'S. E/C SECTION CHIEF AND PAO ALSO WERE AMONG THE
AUDIENCE, WHICH WAS LARGELY ARAB.

2. ATEEQI DOMINATED QUESTION AND ANSWER PERIOD.

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FOLLOWING IS GIST OF HIS ANIMATED REMARKS: WHY,
ATEEQI ASKED, IS THE BURDEN ALWAYS PLACED ON THE OIL
PRODUCERS AND ESPECIALLY THE ARAB OIL PRODUCERS?
THEIR AID PER CAPITA OR AS A PERCENTAGE OF GNP IS MUCH
HIGHER THAN THAT OF DEVELOPED COUNTRIES, YET THE
FINGER OF BLAME IS ALWAYS POINTED AT THEM. THEY ARE
ALWAYS ASKED TO GIVE MORE.

3. EGYPT, ATEEQI SAID, IS A GOOD CASE IN POINT. ITS FINANCIAL NEEDS ARE DEPICTED AS ENDLESS AND YET THE PROBLEM IS NOT REALLY FINANCE, RATHER IT IS ONE OF ADMINISTRATION AND ESPECIALLY MAKING IT POSSIBLE TO REALLY ENCOURAGE PRIVATE INVESTMENT.

4. IT WAS UNFAIR TO ASK COUNTRIES SUCH AS KUWAIT TO PRODUCE MORE OIL THEN THEY NEED TO COVER EXPENDITURES. WHY, ATEEQI ASKED VEHEMENTLY, ARE THE ARAB OIL PRODUCERS ASKED TO BE MORALLY RESPONSIBLE FOR PROVIDING AID AND OIL TO THE WORLD? MOREOVER, IF THE OIL PRODUCERS DID WIND UP GENERATING A FINANCIAL SURPLUS AS A RESULT OF MEETING THE WORLD OIL NEED, THEN AT A MINIMUM, THERE WAS A NEED FOR SOME KIND OF MECHANISM TO ASSURE THAT THE REAL VALUE OF THE CAPITAL USED UP WOULD BE PRESERVED. PERHAPS ONE WAY, ATEEQI SAID, WOULD BE FOR THE CONSUMERS TO PAY BACK THE PRODUCERS IN OIL OR ITS ENERGY EQUIVALENT. INSTEAD OF EARNING 7 PERCENT IN DEPRECIATING CURRENCIES, THE PRODUCERS COULD EARN 7 BARRELS OF OIL PER YEAR FOR EVERY 100 PRODUCED, THEREBY PROTECTING THEMSELVES AGAINST INFLATION.

5. IT WAS VERY WELL TO TALK ABOUT RECYCLING PETRODOLLARS TO THE LDC'S, ATEEQI WENT ON, BUT THE FACT OF THE MATTER WAS THAT MOST OF THE MONEY WENT TO THE DEVELOPED COUNTRIES, AS THE LDC'S HAD LIMITED ABSORPTIVE CAPACITY. ATEEQI CITED AS AN EXAMPLE THE FACT

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THAT LOANS FROM KFAED, KUWAIT'S CHIEF FOREIGN ASSISTANCE VEHICLE, REGULARLY RUN FAR AHEAD OF DISBURSEMENTS.

6. ATEEQI CONCLUDED THAT WHILE THE "MORAL OBLIGATION" WAS ON THE OIL PRODUCERS TO EXPORT OIL AND RECYCLE THE RESULTING FINANCIAL SURPLUS, THE BENEFITS WENT TO THE DEVELOPED COUNTRIES. IT IS TIME, ATEEQI SAID, "FOR THE DEVELOPED COUNTRIES TO COME DOWN A LITTLE BIT FROM THEIR ARROGANCE AND SIT ON EQUAL FOOTING" WITH THE OIL PRODUCERS AND THE LDC'S. THE CURRENT CIEC TALKS WOULD PROVE WORTHLESS AND LEAD NOWHERE UNLESS THE DEVELOPED COUNTRIES CHANGED THEIR ATTITUDE.

7. COMMENT: ABOVE REMARKS, TAKEN DOWN NEARLY VERBATIM BY EMBOFF SITTING NEAR ATEEQI, MAAY HAVE BEEN DISJOINTED, BUT THEY WERE DELIVERED VERY MUCH FROM THE HEART. SUTHERLAND

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